HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Barrie CMA

CANADA MORTGAGE AND HOUSING CORPORATION

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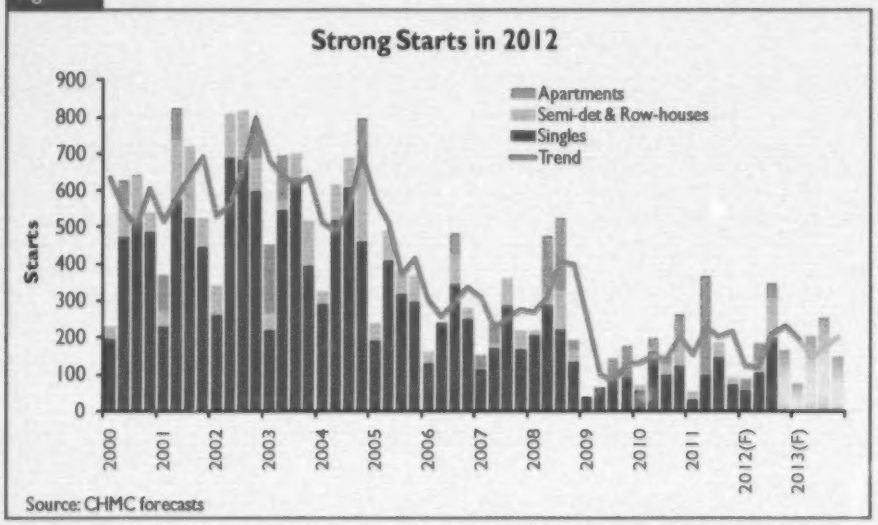
Market at a Glance

- Sales of existing homes in 2012 will ease in the second half but still grow by four per cent versus 2011. Sales will moderate early in 2013 before recovering in second half
- Balanced markets will dampen price growth - prices expected to rise about one per cent in 2013.
- Better supplied resale markets will represent competition for the new home market in 2013.
- Improving economic and resale market conditions by second half of 2013 will support residential construction.

Figure 1



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* The forecasts included in this document are based on information available as of October 17, 2012.

Resale Market

Strong sales pace will slow in 2013

Existing home sales in Barrie Census Metropolitan Area (CMA) will be up this year by over four per cent. Sales have come back from the dip in 2010 and continued to perform well during the last two years, amid an environment of continued housing demand. With improved full time employment conditions for workers aged less than 45 years old, many young workers will continue to access ownership in 2012. This will support homeownership demand in 2012, but it will make the pool of potential buyers smaller in the year after. Also, while the new mortgage rules will bring more stability to the market over the longer term, the latest changes will boost monthly carrying costs, making the transition to homeownership a greater challenge for some first time homebuyers in the immediate term. Therefore, existing home sales will slow for the rest of this year and increase very gradually from this low level throughout 2013. Improving economic conditions and slower price growth will support housing demand by the second half of 2013.

Barrie a less expensive place to live

The stronger rate of home price appreciation in the Greater Toronto Area (GTA) means that, on average, MLS® prices in Barrie are less than 60 per cent of Toronto prices, down from a peak of about 74 per cent in 2008. This encouraged many potential home buyers in the GTA to look for a home in Barrie CMA since Barrie is located within an hour's drive from Toronto. Indeed, although data are not yet final, it appears the number of migrants from Toronto to Barrie jumped to about 1,400 in 2011. However, this effect will slow with the tightening of mortgage rules and the rising cost of travel due to the high prices of gasoline. In Barrie, while the required income to buy a home will jump in 2012, it will still be below 70 per cent of actual income, which means there's room for households to live comfortably and save money.

Balanced market conditions

New listings in the resale market are expected to be flat for the remainder of 2012 with the total for the year down one per cent from 2011. Given the sales slowdown in the second half of the year and the relatively low level for most of 2013, the sales-to-new-listings ratio (SNLR), a barometer of price growth and housing conditions, will remain within the balanced market boundaries over the forecast horizon. With more choice for buyers, the average price will increase slightly less than the rate of inflation in 2013. The average price of an existing home is expected to be $298,000 in 2012 and $301,000 in 2013.

New Home Market

Construction of new homes responsive to housing demand

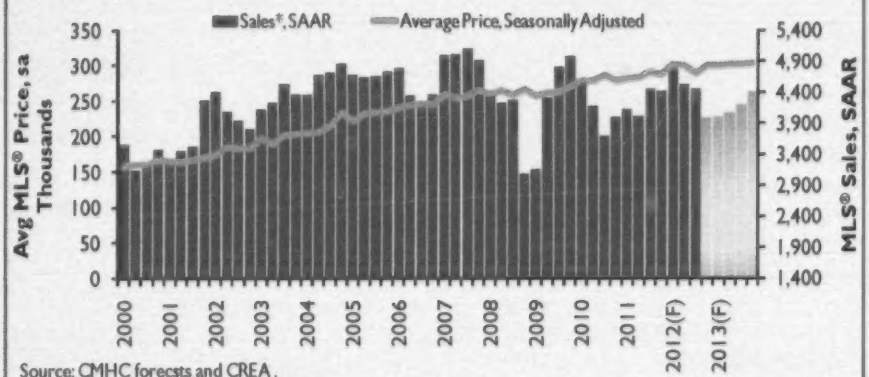
A relatively strong outlook is expected for new home starts in 2012. New home construction in Barrie CMA will finish this year with a robust number of starts, which is seven per cent higher than last year. Starts in Barrie CMA, which includes Springwater and Innisfil in addition to City of Barrie, were very strong in the third quarter which will raise total starts for 2012. Looking forward, new housing demand will moderate in 2013 with less spill-over from the resale market.

Ongoing high-density construction

Single-detached homes continue to make up the majority of new home

Figure 2

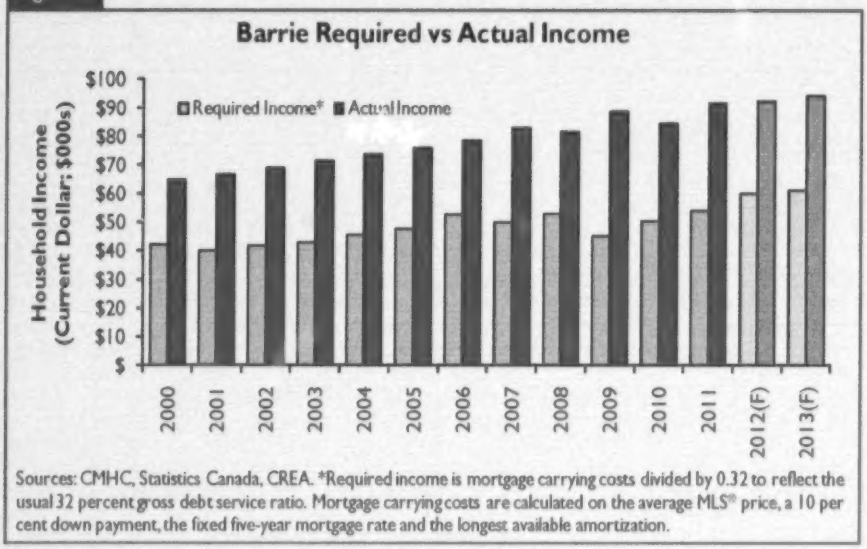
Resale Market to adjust lower in 2013



Source: CMHC forecsts and CREA.

*Quarterly sales data are seasonally adjusted and multiplied by 4 to show an annual rate. Price data are adjusted for seasonal factors. MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Figure 3



Sources: CMHC, Statistics Canada, CREA. *Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 percent gross debt service ratio. Mortgage carrying costs are calculated on the average MLS® price, a 10 per cent down payment, the fixed five-year mortgage rate and the longest available amortization.

Local Economy

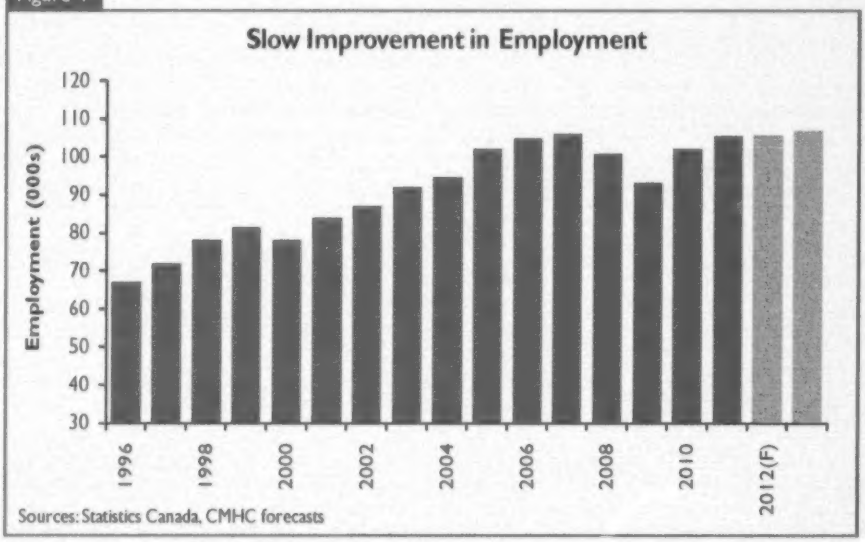
Steady employment ahead

Local employment is expected to stabilize this year and increase slightly in 2013. The unemployment rate will be lower both this year and next. Concerns about debt and growth in the global economy will discourage business investment in the immediate term. However, progress on the debt front combined with the effects of recent policy stimulus should support job creation in the Barrie area steadily through 2013.

In 2012, full-time employment for workers aged 25 to 44 is trending upward, whereas the number of full-time jobs among older workers aged 45 to 64 years old is decreasing while the number of part-time jobs is up. An explanation is that employers have cut hours of work for these employees below 30 hours per week. It is also true that when older workers lose their full time jobs due

construction in Barrie CMA. With the shortage of land supply in the City of Barrie, more single-detached homes will be built in adjacent areas. Indeed, Innisfil Township benefits from this shift. However, more developers are opting to build high-density units in the City of Barrie. Consequently, the share of high density units is increasing in equal proportion for apartments and townhouses. It's worth noting that the shift to the construction of rows and apartments cannot be solely attributed to a shortage of land in the City of Barrie. Demographic changes and affordability also encourage higher density. In Barrie, average household size increased slightly between 2006 and 2011, but at the same time, the number of one-person and lone parent households also increased. These smaller households will tend to choose a smaller unit rather than the bigger and more expensive single-detached homes. Also, the increased job opportunities for young workers will help many of them to look for new affordable housing such as rows and apartments. Apartment construction will be relatively high in 2012 and 2013. Demand for townhouses also will be strong since they offer a lifestyle similar to a single-detached home, but at a lower price.

Figure 4



Sources: Statistics Canada, CMHC forecasts

to early retirement or layoff, some of them will remain in the labour market by filling part-time positions. Since this group typically includes many move-up buyers, the change in their employment situation could limit demand for homes with above-average prices.

Barrie economy diversifying

Barrie continues to diversify its economy and focus on bringing high paying jobs in finance and technology, which usually attract young hires to the city. The recently opened IBM data centre is part of this process, and more jobs for young workers will be an advantage for high-density housing. However, it will take some time for Barrie to position itself as a hub for data management and create a significant number of new jobs in the high-tech area.

Low growth in overall employment will cause the labour force to give back some of the growth from 2011. The labour force will decrease lightly in 2012 and increase by one per cent in 2013. Unemployment will be lower in 2012 mainly because some people are leaving the labour force. Wage growth will remain below the rate of inflation in 2012, but in 2013, average earnings growth will be around two per cent. Cautious consumer spending will translate into slower employment growth in the service area. There will be some pick-up in employment towards the end of 2013 as a strengthening US economy leads to some hiring in the goods-producing sector. With the slow-down in employment, migration to Barrie will be lower in 2012 but will slightly increase in 2013.

Mortgage Rate Outlook

Mortgage rates to remain low

Although there is significant uncertainty, mortgage rates are not expected to change in 2012. Slight increases are expected in 2013, but rates will remain low by historical standards.

According to CMHC's base case scenario, for 2012, the one-year mortgage rate is forecasted to be within 2.75 per cent to 3.50 per cent. For 2013, the one-year posted mortgage rate is expected to rise and be in the 3.00 per cent to 4.00 per cent range, while the five-year posted mortgage rate is forecasted to be within 5.00 per cent to 5.75 per cent, consistent with higher employment and economic growth prospects in 2013.

Forecast Summary Barrie CMA Fall 2012							
	2009	2010	2011	2012f	% chg	2013f	% chg
Resale Market							
MLS® Sales	4,326	4,105	4,228	4,400	4.1	4,150	-5.7
MLS® New Listings	7,502	8,008	7,676	7,600	-1.0	7,700	1.3
MLS® Average Price ($)	263,959	281,966	287,588	298,000	3.6	301,000	1.0
New Home Market							
Starts:							
Single-Detached	292	442	354	400	13.0	370	-7.5
Multiples	135	240	346	301	-13.0	320	6.3
Semi-Detached	0	4	1	7	**	7	0.0
Row/Townhouse	0	133	78	71	-9.0	78	9.9
Apartments	135	103	267	223	-16.5	235	5.4
Starts - Total	427	682	700	750	7.1	680	-9.3
Average Price ($):							
Single-Detached	431,237	407,200	416,757	428,000	2.7	435,000	1.6
New Housing Price Index (% chg.) (Ontario)	0.1	2.4	3.6	n/a	-	n/a	-
Rental Market							
October Vacancy Rate (%)	3.8	3.4	1.7	1.7	-	1.3	-
Two-bedroom Average Rent (October) ($)	961	968	1,001	1,030	2.9	1,050	1.9
Economic Overview							
Mortgage Rate (1 year) (%)	4.02	3.49	3.52	3.37	-	3.78	-
Mortgage Rate (5 year) (%)	5.63	5.61	5.37	5.26	-	5.37	-
Annual Employment Level	93,300	102,200	105,500	105,500	0.0	106,600	1.0
Employment Growth (%)	-7.5	9.5	3.2	0.0	-	1.0	-
Unemployment rate (%)	9.4	9.5	9.7	9.1	-	8.9	-
Net Migration	1,022	845	815	1,020	25.2	1,070	4.9

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = apartments 3+

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